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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI #5941-82
20 July 1982

MEMORANDUM FOR: Director of Central Intelligence
FROM : Acting National Intelligence Officer for USSR-EE
SUBJECT : Discussion Item for Meeting with Secretary Shultz

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1. In this initial meeting with Secretary Shultz, you may want to exchange views on the change in US strategy toward the USSR and the related problems of Europe. As I see it, the essence of the issue is as follows:

- In the 1970s we pursued a policy of placing restraints on the USSR by making it more dependent on increased economic dealings with the West and therefore, so the theory went, less willing to challenge Western security interests.
- European countries (and US business) welcomed this policy, in part because it created a market for some of their more depressed industries.
- The USSR welcomed it as well but unfortunately has showed restraint neither in its military build-up nor in its worldwide activities (e.g., Angola, Ethiopia, South Yemen, Afghanistan, Central America.)
- Consequently the US began changing policy to restrict economic dealings with the USSR (particularly in the case of easy credits, technology), not in the hope that any one restriction would effect a change in Soviet policy but in the hope that the Soviets would have to modify their behavior in the face of a less benign international environment and a deteriorating domestic economy.

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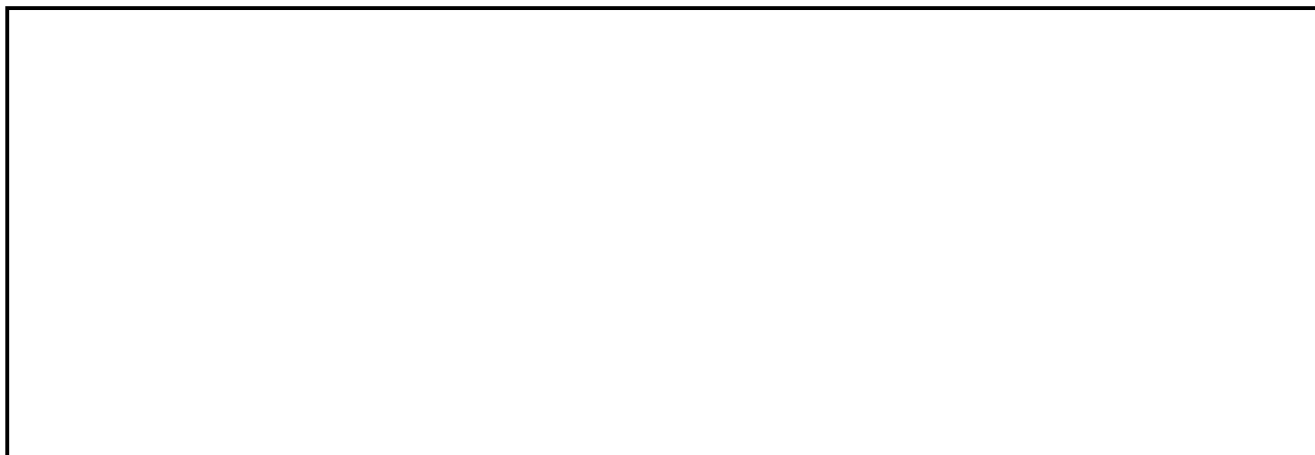
- The problem is that most Europeans are unwilling to forego the shortrun economic advantages of subsidized trade with the USSR.
- Thus the issue for us becomes one of enforcing the new US strategy but without destroying the Alliance.
- The Polish sanctions have become intertwined with this new strategy, have helped to make it more palatable to the Europeans, but should not be confused with the larger strategic issue.
- That does not mean that we should not make tactical adjustments based on changes in Poland but, in the process, we should be careful not to abandon a strategy which is promising even though difficult to explain and implement.

2. I am attaching a cable from Ambassador Galbraith which deals with the pipeline issue in those larger strategic terms, an Economist editorial on Western economic dealings with the USSR and our IIM on Soviet technology acquisition efforts which you may want to give to Secretary Shultz.



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Attachments:
As stated



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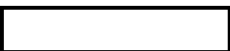
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